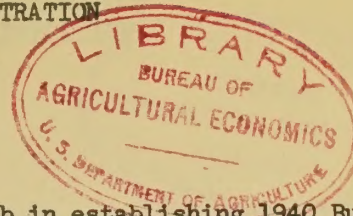


UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

Washington, D. C.
March 25, 1940.



Dear Committeeman:

You and fellow committeemen have done a fine job in establishing 1940 Burley tobacco allotments. Some of the questions reaching this office, however, would indicate that there has been considerable misunderstanding of the small farm provision, and that many farmers are not fully informed concerning the present large supply of Burley. Much educational work needs to be done.

Facts concerning the present Burley situation should be presented to all growers immediately in order that they may plan their operations for this crop year with an understanding of what it means to the industry. You are best able to bring this information to growers in your neighborhood. Here are the facts:

(1) There have been three successive years of overproduction, increasing supplies by more than 170 million pounds. The October 1 carryover of 684 million pounds and the 1939 crop of 390 million account for a total supply of 1,074 million pounds in the current market year, which is the second largest supply on record.

(2) At the time the marketing quota was proclaimed in November, the 1939 crop was estimated at 354 million pounds. Final estimates show the crop to be about 390 million pounds, or about ten percent greater than the estimate used to establish the 1940 quota. This means that while the 1940 National acreage allotment is 370 thousand acres, it should have been 330 thousand acres or about ten percent smaller than the present allotment.

(3) Full planting of 1940 farm allotments, with normal yields, would produce a supply for the 1941 marketing year considerably in excess of the reserve supply level. Under normal conditions this can be avoided if growers generally plant 10 percent below their 1940 allotments.

The new provision whereby a farmer may grow less tobacco than his acreage allotment without affecting the size of future allotments is intended to protect the farmer who wants to underplant as a contribution toward an improved Burley situation.

(4) Experience has taught that we don't get increased consumption merely by growing more tobacco than is needed by the trade. Heretofore, when excess supplies depressed prices, farmers, in an effort to obtain needed income, generally stepped up production of tobacco, until the price went so low that production became unprofitable. Farmers now have machinery for avoiding such a situation. Instead of waiting for low prices to force curtailed production, they use the Agricultural Conservation Program and marketing quotas to bring about the adjustments.

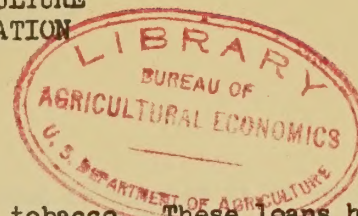
(5) Burley tobacco typically is grown in small acreages on about 235,000 farms. The average farm allotment for 1940 is 1.6 acres, which is an average of about 1.2 acres per family. So, it is evident that if farmers wish to obtain the best total and net income from their tobacco, all growers, regardless of the size of their allotments, need to share in any adjustments in acreage necessary.

This in brief is the situation: A general underplanting of 1940 Burley allotments by about 10 percent with normal yields will mean an adequate crop to meet current needs. Full planting of the allotments with no more than normal yields would mean continued unbalance between marketings and demand, and less favorable prices and income.

Sincerely,

W. G. Finn,
Director, East Central Division.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION
Washington, D. C.
March 30, 1940.



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Dear Committeeman:

For several years loans have been offered on dark tobacco. These loans have tended to keep prices from going to extremely low levels. During this period most producers have kept their plantings within their acreage allotments and it has been possible to make loans to both cooperators and non-cooperators.

If a loan is offered on the 1940 crop of dark tobacco it will be available only to farmers who have planted within their acreage allotments. Furthermore, if a loan is offered, the rate will need to be reduced if the 1940 crop is substantially increased over the 1939 crop.

It is important that dark tobacco growers generally be supplied the facts. It is a part of your responsibility as a committeeman to bring this information to growers in your neighborhood. Here are some of the facts:

(1) At the present time the supply of dark tobacco is just a little below the level which would require proclamation of a national marketing quota under the Agricultural Adjustment Act of 1938. Current estimates place the 1939 crop between 140 and 150 million pounds (as contrasted with the official estimate on December 1, 1939, of 135 million pounds). Domestic consumption is around 70 million pounds and exports are currently running far below the last year's figure of 75 million pounds.

(2) If farmers plant within their 1940 acreage allotments, which are about the same as the 1939 acreage allotments, they can expect a crop, under normal conditions, as large as the 1939 crop. This would mean a further increase of supplies and it may be difficult to maintain prices even for this large a crop in 1940.

(3) Even with continued efforts to work out special arrangements for the export of dark tobacco, the diversion of surplus tobacco and the sharp adjustment of acreage and marketings by farmers under the program since 1934, it has been difficult to bring supplies of dark tobacco in line with demand. Under the present circumstances, with extremely uncertain export demand, and with an adequate supply on hand a single large crop might easily mean an excess supply and low farm prices.

(4) Farmers can earn payments under the Agricultural Conservation Program which in most instances will be worth considerably more than any net amount they could expect from an increased acreage of dark tobacco, particularly if the 1940 crop is large and prices are low.

Any increase of acreage in 1940 which represents a departure from the normal crop rotation practices on the farm will likely have little if any effect on the allotment established for 1941 and later years.

Dark growers have practically nothing to gain and much to lose by overplanting allotments this year. Excess production in 1940 would not only reduce prices for this crop, but would remain to depress prices for later crops until production is brought in line with trade needs.

Sincerely,

Chas. D. Lewis

Chas. D. Lewis,
Acting Director,
East Central Division.

UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL ADJUSTMENT ADMINISTRATION

Washington, D. C.
April 9, 1940.

Dear Committeeman:

In the short time remaining before this year's tobacco crop is planted it is important that growers be informed of the unfavorable 1940 price outlook and that they be strongly urged to keep their plantings within their acreage allotments.

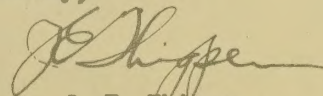
We believe that you as a committeeman will want to study the following facts and advise farmers in your community of them and urge them to do all in their power to help improve the tobacco situation by planting well within their allotments.

Here are the most important facts in the flue-cured situation:

1. Supply. Largest supply in history—over 2 billion pounds—supply equal to nearly three years' normal world consumption.
2. War Affects Exports. European War has caused our best foreign customer, Great Britain, to discontinue purchases for indefinite time.
3. Crop Larger than Estimated. 1939 crop about 1,150,000,000 pounds, as contrasted with estimate of around one billion pounds, when 1940 quota was fixed in September, 1939. Consequently, the 1940 allotments would need to be about 15 percent less than present allotments in order to eliminate this particular excess.
4. Plant Within 1940 Allotments. Growers should plant safe and plant well within their 1940 tobacco acreage allotments for several reasons.
 - (a) The 1940 quota eliminates only part of the surplus; quota would need to be about 15 percent less than was proclaimed in order to offset amount by which 1940 crop exceeded estimated size when quota was proclaimed in September, 1939.
 - (b) Each acre of tobacco harvested in excess of the allotment will mean an average deduction of about \$75.00 per acre from payments otherwise earned under the Agricultural Conservation Program.
 - (c) Any tobacco marketed in excess of the farm quota will be subject to a penalty of ten cents per pound.
 - (d) Any attempt to market tobacco in excess of the farm quota without payment of the penalty will mean a reduction of the acreage allotment in the next year for the farmer who attempts to market his tobacco and also for any other farmer who assists him.
5. Farmers May Underplant 1940 Allotments. For 1940 any farm on which as much as one-half of the acreage allotment is planted will have its future allotments determined just as though the entire allotment had been planted. Any farm on which less than one-half of the acreage allotment is planted will have its future allotments determined just as though one-half of the 1940 acreage allotment had been planted, unless it is determined that no effort whatsoever was made to plant tobacco.

What farmers do in these next few weeks will determine whether they gain or lose ground in the effort to improve the situation of flue-cured tobacco. A general underplanting of allotments by as much as 10 percent at normal yields will result in adequate marketings for current needs. A full planting or overplanting of allotments with no more than normal yields will mean continued unbalance between marketings and demand, and less favorable prices.

Sincerely,



J. E. Thigpen,
Acting Director, East Central Division.

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